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SUBJECT: IAEA/GC: MIDDLE EAST MORASS

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Classified By: Ambassador Glyn Davies for reasons 1.5 (b) and (d)

Summary and Comment

1. (C) The state of play on Middle East GC issues leading into the week of the September Board just before the IAEA General Conference is grim. GC President Macmillan's effort toward a consensus approach based on elements of a single resolution is on temporary life support, though she is not prepared to give up. None of the parties is seriously engaging with the Presidency; the Arabs are uncompromising, the Egyptians pay lip service, and Israel is taking a familiar hardline. Israeli Ambassador Michaeli is asserting that the point of departure for negotiations should be the last, 2005, consensus resolution. He has signaled lack of confidence in the GC President after becoming discomfited by some of the negotiating language Macmillan floated (and has since withdrawn in deference to Israel) that would have implied a MENWFZ could come before peace. Michaeli has since re-engaged and submitted Israeli suggestions to Macmillan and Swedish Ambassador Lundborg September 4. We will encourage Michaeli to stay engaged and reassure him we have his back covered throughout this process. A Janus-faced Egypt puts on its best face with the Presidency while taking a hard-line with U.S. interlocutors and telling Michaeli he betrayed Egypt's trust last year.

2. (C) The Arab Group is uncompromising in continuing to insist on the separate Israeli Nuclear Capabilities (INC) resolution, in accordance with AL Ministerial decisions. They were "categorical" about this political mandate for a separate resolution in a September 4 meeting with Macmillan and characterized it as an issue of regional pride. In a September 2 meeting with Ambassador Davies, Arab Group Ambassadors joined by Arab League Multilateral Director Al-Asad, who will report to the AL Council next week, appealed for "dialogue" with the Obama Administration and set the IAEA General Conference issue as a "testing ground" for the 2010 NPT Revcon. In a September 3 meeting with S/SANAC

Einhorn, Egyptian Ambassador Fawzi took a similar line. He noted he has no negotiating mandate on the Egyptian Middle East Safeguards resolution, complained of Israeli intransigence, and refused any linkage between the MES and INC resolutions, other than to say consensus this year on the MES might help lead to flexibility on the INC next year. The Arabs are fairly cocky about defeating any "no action motion" (though the like-minded continue to levy this threat) and do not seem to have any compunction about once again derailing the General Conference. Macmillan cautioned the Arabs about the consequences of tabling the INC, the worst not necessarily being a "no action" motion but killer amendments to their sacrosanct text on the floor. She reported to like-minded Ambassadors September 4 that this had not occurred to the Arabs.

¶3. (C) There is some relative good news. The EU is too internally divided to pursue (for the moment) separate track negotiations with Cairo on the Middle East Safeguards (MES) resolution delinked from the INC. We have strongly advised against this course, which would undercut the Presidency's efforts by allowing Egypt a fall-back option. The EU Presidency is working closely with Macmillan on conceptual elements that they are discussing with Egypt and Israel. Although Macmillan prefers to insert such elements into a single resolution, if the Arab Group remains obstructionist, this effort could easily morph into an EU negotiation with Egypt and Israel on the MES text. Director General ElBaradei may also be prepared to play a constructive role in reigning in the Arab Group. In his introductory call on the Director General September 3, Ambassador Davies enlisted his help with the Arab Group, which ElBaradei agrees is setting itself up for another humiliation. The Director General has a vested interest in ensuring that his last General Conference is not marred by another Middle East debacle. End Summary and Comment.

And Then There is the Iranian Agenda Item

¶4. (C) Against this backdrop still looms the Iranian supplemental agenda item on prohibition of armed attacks against nuclear facilities, and no one has a clear plan of how to dispose of it. The option of a General Committee challenge remains the most expedient but it seems increasingly unlikely that we will have the votes to defeat it as Russia, Belarus and Cuba have recently been added to the Committee roster. Canada argues that we should pursue a challenge, win or lose, in the General Committee for "demonstration effect." However, the like-minded have cold feet about calling a Plenary vote should we lose in General Committee. Macmillan is convinced that even if we win in General Committee, Iran will call a vote on the agenda in Plenary, a view also shared by Israeli Ambassador Michaeli. With NAM support for the agenda item, we could lose such a vote in Plenary. Iran further intimated to the GC President that a resolution or text could be introduced under the nuclear safety agenda item (as was the case in the 1980s and 1990s) should its supplemental item be blocked.

¶5. (C) Meanwhile, the P5 1 are divided on the Iranian item. Russia and China do not yet have instructions but, in a bilateral conversation with Ambassador, Russian Ambassador Zmeyerovskiy was supportive in principle of the proposed agenda item and disputed the argument that this is an issue for the Security Council. In a September 3 P5 1 meeting, Zmeyerovskiy said he thought it would be very difficult to object to a resolution under this item. Chinese Charge Huang said he has requested instructions on a preliminary draft of an Iranian resolution, but noted China was supportive of a resolution on this topic in 1990. France and Germany signaled support for blocking the item.

¶6. (C) Earlier in the week, Macmillan queried DCM about attempting to talk the Iranians down to a Presidential Statement, but would not pursue this without prior U.S. agreement. Having met with Iranian Ambassador Soltanieh September 3, Macmillan reported that he is still working on

the text of its resolution and seems to be having some conceptual problems in getting NAM support for the substance.

Some of the NAM are also apparently leaning toward a Presidential Statement. Like-minded Ambassadors discussed September 4 the option of a no action motion on the Iranian agenda item, with mixed feelings. Macmillan cautioned that "no action" may turn the Iranian item into a cause clbre for the NAM against the West, even among NAM who are not favorably disposed toward the substance or Iran. Among the JUSCANZ, Canada, Australia and the ROK would support a "no action" motion on the Iranian item but Japan believes it would be counterproductive to try to block the agenda item. Canada is also proposing killer amendments to any Iranian resolution adding references to safeguards, compliance and calling on states to be parties to legally binding instruments of which Iran is not a party. (Note: Some of these suggestions could be subject to points of order as to relevance. End note).

¶7. (C) A further option we have not disclosed to the like-minded (so as to preserve the element of surprise) would be to launch a pre-emptive strike by tabling a U.S.-sponsored draft resolution under the armed attacks agenda item before Iran submits its text. A U.S. draft could be loosely based on the language of the consensus 1985 GC resolution on armed attacks, focusing on peaceful development of nuclear energy, safety and application of safeguards, in addition to some of the Canadian elements. This would have the effect of deflating the Iranian gambit, which has at best lukewarm support among Member States, while aligning ourselves with the principle as it applies to safeguarded facilities. As resolutions under the same agenda item are considered in the order in which they are submitted, it would be imperative to submit a U.S. draft first. Mission welcomes tactical guidance on options for dealing with the Iranian agenda item, recognizing that the fate of this item will influence our effort to keep a spotlight on Iran's own nuclear activities. To increase our leverage, we continue to speak of the Iranian item in tandem with the other Middle East issues, which the Arabs are anxious to keep separate.

GC Presidency and EU Efforts Falter, For Now

¶8. (C) While struggling to keep the idea of a single consensus resolution alive, GC President Macmillan's efforts have hit a number of roadblocks, both on the part of Israel and the Arab League which has been dismissive of her consensus approach. Rather than draft a single resolution text, she has sought to distill the three main issues, NPT universality, compliance and peace process/NWFZ precedence, which have prevented consensus in the past. Once there is agreement on these "concepts," consensus formulations could be slated into a single resolution, or alternatively into the Egyptian text. Macmillan has met both separately and now together with Egypt and Israel and with the Arab Group (Comment: This is likely a tactical retreat on the part of the Arab Group so as not to be seen as rejecting her good offices, ref b). Earlier in the week she floated possible formulations of the three concepts for negotiation, including the 2008 Algerian amendment on NPT universality, adherence to "disarmament and non proliferation conventions" vice compliance, and a re-formulation of the peace process language. The latter, which recognized efforts toward peace "including a NWFZ," caused particular Israeli umbrage as to the issue of precedence. Israeli Ambassador Michaeli conveyed his unease with Macmillan's efforts to Ambassador Davies September 2 and insisted that negotiations should include all that has been added to the Egyptian text since the last consensus MES resolution in 2005. Having seen this particular language, Michaeli subsequently complained bitterly to Nuclear Counselor and publicly to like-minded counterparts on the margins of a September 3 IAEA meeting. By her account, Macmillan was distressed by Michaeli's unhelpful attitude and took pains to explain to him that this was text for negotiation. Given the Israeli reaction, she now considered these proposals "dead." Since then, Macmillan reported September 4 that Israel has come forward with

alternative proposals.

¶9. (C) In a joint meeting with Israel and Macmillan the same day, Egypt was forward leaning and willing to work on text, likely because the language met Egyptian redlines on compliance and NWFZ vice peace process precedence. Meanwhile, Michaeli continues to note that Egyptian Ambassador Fawzi has no mandate to negotiate. Michaeli had a different take on the meeting relayed to Nuclear Counselor, though he acknowledged it ended in a boxing match. He and the Egyptians, joined later by Macmillan, exchanged text ideas on the compliance language, including a reference to "commitments, obligations and conventions." Israel seeks to retain "compliance" and is not supportive of the Algerian amendment on NPT universality. Michaeli also suggested using the 2007 MES language on peace process, but Fawzi seemed disinclined. Lastly, Michaeli sought to delete operative paras in the MES text that had been imported since 2005 from UNGA resolutions. For his part, Fawzi aired familiar (and disingenuous) complaints about not being consulted on the Israeli amendments last year. Subsequent to this meeting,

Israel submitted its proposals to Macmillan and Swedish Ambassador Lundborg to broker with Egypt.

¶10. (C) Even as Egypt has been playing "good cop" with Macmillan, Fawzi took a harder line in a private meeting with S/SANAC Einhorn September 3. S/SANAC Einhorn reviewed the priority President Obama is attaching to improved relations with Egypt and to NPT issues, and observed that Egypt and the Arabs seemed headed toward prompting another "psycho drama" in the GC that would not help them in real efforts to make progress toward arms control in the region. Fawzi responded by claiming again that the GC is an opportunity for President Obama to make good, and complained about Israeli intransigence. Fawzi characterized Macmillan's efforts as "dead" and continued to absolve himself of responsibility for the INC resolution, other than to hold out hope that consensus on the MES resolution this year might lead to flexibility on INC next year. The Egyptians adopted a similar tone with Ambassador Davies in a separate meeting with the Arab Group September 3 (para 14 below). Meanwhile, Macmillan vociferously denied to Msnoff that she was giving up, and will keep trying as she sees no other way out of this Middle East morass. She welcomed any suggestions on text and in the meantime, she and Swedish Ambassador Lundborg had decided to take a one-day break to let temperatures cool.

¶11. (C) Although the EU Presidency has been working closely with Macmillan on formulations of the three main issues, Lundborg has been inclined toward separate track negotiations with Cairo on the MES text, in the hopes of generating Egyptian good will and possible help on the INC. Asked about "linkage" to the INC in a September 1 meeting with Ambassador Davies, Lundborg inferred that this would not be explicit, and acknowledged the risk that Egypt could pocket an agreed MES text while doing nothing about the INC. In the worst case scenario, he postulated a no-action motion followed by a vote on the INC. Despite internal EU divisions, Lundborg continues to take the lead in brokering text with Egypt and Israel, working closely with Macmillan. His efforts could easily morph into a separate EU negotiation with Egypt, if the Arab Group continues to reject a single resolution.

¶12. (C) The EU is in disarray with no common position on this approach. Swedish Msnoff reported an inconclusive CONOPS meeting in Brussels that morning to like-minded (U.S, Canada, Australia, Sweden, UK, France and New Zealand) experts meeting September 2 with NSC Non-Proliferation Director Rexon Ryu. The UK specified, however, that the EU had a common position in so far as the INC not being a basis for consensus, as was relayed in the EU letter to Arab League. Beyond this, there is disagreement within the EU as to the advisability of a separate track negotiation with Cairo. The UK, France and the Netherlands seek linkage to the INC while many other Europeans see the merit in cooperating with Egypt as an end in itself, UK Ambassador Smith reported to Ambassador Davies in a separate meeting September 3. Smith

added that the UK preference to insert a reference to the Additional Protocol in Egyptian text has elicited European hand-wringing. In the like-minded session, Australian DCM also toyed with the idea of a separate track negotiation with Egypt whereas Canada objected to anything short of a "package approach," stating that it would not support an EU-agreed MES text without a package. NSC Director Ryu advised the like-minded of the whole-scale U.S. diplomatic effort vested in the 2010 NPT Revcon and the attention this issue has received at the highest level with Egypt. He supported the effort toward new consensus in IAEA GC and encouraged the like-minded to stay united so as to not give Egypt a tactical advantage. Ryu observed that Egypt should not be given the impression that there is more than one negotiating track or an easy fall back, i.e., via a separate deal with the EU.

¶13. (C) GC President Macmillan also reported on her efforts to the like-minded, saying that she was still hopeful and would keep the single resolution idea alive. She had received no positive feedback as the Arab Group continued to defer to Ministerial decisions on tabling the INC. They also reject any PRST. To have any chance, she needed support in clearing this blockage. Egypt was more willing to engage on the issues, she reported, but was equivocal in so far as Fawzi's main concern is to protect an Egyptian text. Macmillan added that Arab Group confidence in NAM support for defeating a "no action motion" underlined their desire to bring the INC to a vote, win or lose. Even countries like Africa Group Chair Angola, which has close ties to Israel, predicted solid Africa Group support against no action, she noted. Still, the UK and others supported keeping the threat of no action on the table. (Note: Privately, UK Ambassador Smith was pessimistic about Macmillan's chances for success but saw her efforts as tactically constructive. End Note.) Canada observed that "no action" may not be the worst outcome, worse still would be the collapse of the General Conference (Note: Canada still predicates tabling a no action motion on the basis of a reasonable chance of success. End note). France was likewise pessimistic about the Arab Group's being unconcerned in its insistence on tabling the INC. French DCM surmised that creating a big fuss in Vienna might serve the Arab Group's "real objective" by positioning themselves for the NPT Revcon.

Arab League Not Ready for Compromise

¶14. (C) In a first meeting with the Ambassador September 3, the Vienna Arab Group (Chair Lebanon, Syria, Egypt, Oman, Jordan, Palestine, Arab League rep) joined by Arab League Multilateral Director Al-Asad, appealed for a serious dialogue on the substance of the Israeli Nuclear Capabilities (INC) draft GC resolution and set this as first test of the Obama Administration's non-proliferation agenda in advance of the NPT Revcon. Arab League rep Wehbe opened by highlighting AL SYG Moussa's personal effort toward moderating the INC resolution last year (by changing "Threat" to "Capabilities") and the addition in the current draft of a reference to President Obama's call for a nuclear weapons-free world. Al-Asad advised that he would be reporting his Vienna consultations on this issue to the AL Council of Ministers meeting in a few days. He hoped that President Obama's commitment to disarmament and arms control would translate into real action on NPT universality and rejected the premise that Israel was being unfairly singled out. Syria stressed not giving "immunity" to Israel while Oman, by contrast, framed the issue as a regional one involving not just Israel but Iran and other non-NPT parties. Jordan also injected that there were other players in the region, not just Israel. Arab Ambassadors voiced their disappointment with previous GC outcomes, and the "psychological trauma" of no-action motions, which they hoped to avoid.

¶15. (C) Ambassador Davies sought to portray Vienna issues in a larger context and underline the President's sincere commitment to non-proliferation and disarmament as the centerpiece of his foreign policy. Recognizing the stakes of a nuclear explosion, he hoped to return to the IAEA's

founding vision of Atoms for Peace. The Ambassador stressed that Vienna could play a positive role in the process leading up to the NPT Revcon, including by positive momentum toward solving these Middle East issues. This would help make Vienna "relevant." Ambassador Davies encouraged the Arab Group to give the GC Presidency's efforts a chance so as to avoid another debacle in the General Conference. He questioned Arab Group openness to this effort toward a single resolution and relayed Egyptian Ambassador Fawzi's earlier comment to him that this was the Presidency's "right."

¶16. (C) Jordan advised that Vienna reps did not have decision-making authority on a single resolution given the AL Ministerial decision to table a separate INC resolution. Egyptian DCM Sirry was more categorical in stipulating that there was no room for merging the MES and INC resolutions as they treated distinct issues. Msnoff noted the convergence in the substance of the two resolutions, in particular, given the Algerian amendment to the MES resolution on NPT universality. (Comment: From the tenor of this discussion, the Arab Group continues to give the GC President's effort short shrift, despite having agreed to meet with her again on September 4. End Comment).

¶17. (C) Sirry further highlighted the GC Middle East debate as a first opportunity for the new Administration to demonstrate its position on nonproliferation issues in the months leading up to the Revcon. Joining the meeting late, Egyptian Ambassador Fawzi took a similar hard-line accusing the U.S. of double-standards in focusing on Iran while blocking any effort to deal with Israel. Ambassador Davies argued for a holistic approach to the Middle East via a single resolution. Syria again injected that holistic meant stop shielding Israel. Rejecting the argument that Israel should be named only in tandem with other NPT non-parties, Al-Asad noted that the 2000 NPT Revcon singled out Israel on regional issues. He recounted how the Arab League had modified its INC text four times over the years and appealed for support but saw no movement from the U.S. Al-Asad concluded the meeting by again presenting the IAEA GC Middle East debate as a "testing ground" for the September UNSC special session on disarmament, the Nuclear Security Summit and other high-level events leading up to the Revcon.

DAVIES